



Dave Yost • Auditor of State

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383-9602

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milton-Union Exempted Village School District, Miami County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milton-Union Exempted Village School District, Miami County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 13, 2017

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Net Position - Cash Basis
 June 30, 2016

	Governmental Activities
Cash Assets	
Equity in pooled cash, cash equivalents, and investments	\$ 13,189,726
Total Cash Assets	\$ 13,189,726
Net Cash Position:	
Restricted for:	
Capital projects	\$ 1,274,937
Debt service	3,810,629
Facilities maintenance	443,657
Food service operations	254,852
Education grants	30,093
Student activities	8,903
Unrestricted	7,366,655
Total Net Cash Position	\$ 13,189,726

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Expenditure)</u> <u>Receipt and</u> <u>Changes in</u> <u>Net Cash Position</u> <u>Governmental</u> <u>Activities</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 6,616,518	\$ 1,109,475	\$ 103,448	\$ (5,403,595)
Special	1,760,787	108,713	509,906	(1,142,168)
Vocational	13,089	-	11,545	(1,544)
Student intervention services	15,140	-	-	(15,140)
Other	439,170	-	-	(439,170)
Support Services:				
Pupils	859,092	-	-	(859,092)
Instructional staff	1,165,948	-	191,997	(973,951)
Board of education	67,924	-	-	(67,924)
Administration	1,224,066	-	-	(1,224,066)
Fiscal	520,326	-	-	(520,326)
Business	16,610	-	-	(16,610)
Operation and maintenance of plant	920,799	-	-	(920,799)
Pupil transportation	712,094	2,183	-	(709,911)
Central	169,796	-	5,400	(164,396)
Operation of non-instructional services	1,468,178	204,280	1,356,742	92,844
Extracurricular activities	491,872	180,855	32	(310,985)
Capital outlay	401,453	-	-	(401,453)
Refund of prior years receipts	1,858,301	-	-	(1,858,301)
Debt Service:				
Principal	401,955	-	-	(401,955)
Interest	1,325,676	-	-	(1,325,676)
Total Governmental Activities	<u>\$ 20,448,794</u>	<u>\$ 1,605,506</u>	<u>\$ 2,179,070</u>	<u>(16,664,218)</u>
General Cash Receipts				
Property Taxes Levied for:				
General purposes				5,126,090
Capital projects				348,935
Income Taxes Levied for:				
General purposes				179,478
Capital projects				1,971,646
Facility maintenance				92,350
Grants and entitlements not restricted to specific purposes				6,955,394
Interest				124,850
Miscellaneous				212,081
Inception of capital lease				77,940
Total General Receipts				<u>15,088,764</u>
Change in Net Cash Position				(1,575,454)
Net Cash Position Beginning of Year				<u>14,765,180</u>
Net Cash Position End of Year				<u>\$ 13,189,726</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 7,366,655	\$ 3,810,629	\$ 786,461	\$ 1,225,981	\$ 13,189,726
Total Assets	<u>\$ 7,366,655</u>	<u>\$ 3,810,629</u>	<u>\$ 786,461</u>	<u>\$ 1,225,981</u>	<u>\$ 13,189,726</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 786,461	\$ 488,476	\$ 1,274,937
Debt service	-	3,810,629	-	-	3,810,629
Facilities maintenance	-	-	-	443,657	443,657
Food service operations	-	-	-	254,852	254,852
Student activities	-	-	-	8,903	8,903
State/Federal education grants	-	-	-	68	68
Other education grants	-	-	-	30,025	30,025
Committed for:					
Employee termination benefits	104,854	-	-	-	104,854
Assigned for:					
School activities	42,637	-	-	-	42,637
Future expenditures	175,236	-	-	-	175,236
Unassigned	<u>7,043,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,043,928</u>
Total Fund Balances	<u>\$ 7,366,655</u>	<u>\$ 3,810,629</u>	<u>\$ 786,461</u>	<u>\$ 1,225,981</u>	<u>\$ 13,189,726</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Property and other local taxes	\$ 5,126,090	\$ -	\$ 348,935	\$ -	\$ 5,475,025
Income tax	179,478	-	1,971,646	92,350	2,243,474
Intergovernmental	6,887,189	31,210	65,073	2,110,365	9,093,837
Interest	103,549	13,855	3,276	4,170	124,850
Tuition and fees	1,218,188	-	-	-	1,218,188
Extracurricular activities	45,704	-	-	133,350	179,054
Customer sales and services	-	-	-	204,280	204,280
Gifts and donations	32	-	-	40,546	40,578
Miscellaneous	148,949	2,023	27,139	34,842	212,953
Total Receipts	13,709,179	47,088	2,416,069	2,619,903	18,792,239
Cash Disbursements					
Current:					
Instruction:					
Regular	6,507,145	-	25,226	84,147	6,616,518
Special	1,270,442	-	-	490,345	1,760,787
Vocational	13,089	-	-	-	13,089
Student intervention services	15,140	-	-	-	15,140
Other	439,170	-	-	-	439,170
Support Services:					
Pupils	856,192	-	-	2,900	859,092
Instructional staff	484,373	-	482,675	198,900	1,165,948
Board of education	67,924	-	-	-	67,924
Administration	1,224,066	-	-	-	1,224,066
Fiscal	479,446	3,100	37,252	528	520,326
Business	16,610	-	-	-	16,610
Operation and maintenance of plant	791,053	-	24,664	105,082	920,799
Pupil transportation	632,605	-	78,524	965	712,094
Central	159,261	-	5,598	4,937	169,796
Operation of non-instructional services	885	-	-	1,467,293	1,468,178
Extracurricular activities	74,923	-	29,860	387,089	491,872
Capital Outlay	77,940	-	154,140	169,373	401,453
Debt Service:					
Principal	-	401,955	-	-	401,955
Interest	-	1,325,676	-	-	1,325,676
Total Disbursements	13,110,264	1,730,731	837,939	2,911,559	18,590,493
Excess of Receipts Over(Under) Disbursements	598,915	(1,683,643)	1,578,130	(291,656)	201,746
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	-	-	3,161	-	3,161
Refund of prior year receipts	-	(9,209)	(23,680)	(1,825,412)	(1,858,301)
Inception of capital lease	77,940	-	-	-	77,940
Transfers in	-	2,997,456	550,409	246,000	3,793,865
Transfers out	(246,000)	-	(1,585,563)	(1,962,302)	(3,793,865)
Total Other Financing Sources (Uses)	(168,060)	2,988,247	(1,055,673)	(3,541,714)	(1,777,200)
Net Change in Fund Balance	430,855	1,304,604	522,457	(3,833,370)	(1,575,454)
Fund Balance, Beginning of Year	6,935,800	2,506,025	264,004	5,059,351	14,765,180
Fund Balance, End of Year	\$ 7,366,655	\$ 3,810,629	\$ 786,461	\$ 1,225,981	\$ 13,189,726

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balance (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Property and other local taxes	\$ 4,985,339	\$ 5,126,090	\$ 5,126,090	\$ -
Income tax	175,988	179,478	179,478	-
Intergovernmental	7,019,871	6,887,189	6,887,189	-
Interest	80,687	103,549	103,549	-
Tuition and fees	1,154,981	1,154,981	1,154,981	-
Miscellaneous	9,444	7,624	7,624	-
Total Receipts	<u>13,426,310</u>	<u>13,458,911</u>	<u>13,458,911</u>	<u>-</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	6,578,152	6,598,155	6,463,315	134,840
Special	1,325,651	1,478,312	1,271,061	207,251
Vocational	13,078	15,077	13,089	1,988
Student intervention services	16,000	16,000	15,140	860
Other	288,514	460,513	439,170	21,343
Support Services:				
Pupils	856,610	891,612	858,367	33,245
Instructional staff	545,850	520,854	491,327	29,527
Board of education	81,632	81,633	79,813	1,820
Administration	1,232,311	1,232,152	1,213,532	18,620
Fiscal	579,645	512,644	480,684	31,960
Business	17,430	17,432	16,610	822
Operation and maintenance of plant	895,198	895,196	855,958	39,238
Pupil transportation	670,839	688,342	662,222	26,120
Central	149,639	164,639	160,041	4,598
Extracurricular activities	39,466	40,467	38,842	1,625
Total Disbursements	<u>13,290,015</u>	<u>13,613,028</u>	<u>13,059,171</u>	<u>553,857</u>
Excess of Receipts Over(Under)				
Disbursements	<u>136,295</u>	<u>(154,117)</u>	<u>399,740</u>	<u>553,857</u>
Other Financing Sources (Uses):				
Refund of prior year expenditures	87,381	144,065	144,065	-
Transfers out	(340,000)	(340,000)	(326,000)	14,000
Advances out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	<u>(262,619)</u>	<u>(205,935)</u>	<u>(181,935)</u>	<u>24,000</u>
Net Change in Fund Balance	(126,324)	(360,052)	217,805	577,857
Fund Balance at Beginning of Year	6,657,829	6,657,829	6,657,829	-
Prior Year Encumbrances Appropriated	172,045	172,045	172,045	-
Fund Balance at End of Year	<u>\$ 6,703,550</u>	<u>\$ 6,469,822</u>	<u>\$ 7,047,679</u>	<u>\$ 577,857</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Fiduciary Net Position - Cash Basis
 June 30, 2016

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in pooled cash, cash equivalents, and investments	\$ 19,843	\$ 31,015
Total Assets	\$ 19,843	\$ 31,015
Net Cash Position	\$ 19,843	\$ 31,015

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Changes in Fiduciary Net Position - Cash Basis
 Private Purpose Trust Fund
 For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Fund
Additions:	
Gifts and contributions	\$ <u>7,000</u>
Total Additions	<u>7,000</u>
Deductions:	
Payments in accordance with trust agreements	<u>13,195</u>
Total Deductions	<u>13,195</u>
Change in Net Position	(6,195)
Net Position, Beginning of Year	<u>26,038</u>
Net Position, End of Year	<u>\$ 19,843</u>

See accompanying notes to the basic financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Milton-Union Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational needs of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds and other obligations issued in conjunction with the School District's school facilities project.

Permanent Improvement Fund – This fund is to account for and report the accumulation of resources received through local property and income taxes received and the payments made for significant capital purchases made by the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted or committed to a particular purpose.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2016, investments included nonnegotiable certificates of deposits, negotiable certificates of deposit, federal agency securities, money market and mutual funds and STAR Ohio. All investments, with the exception of STAR Ohio, are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments with the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides the NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance for all deposits or withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participants will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$103,549, which included \$15,297 assigned from other School District funds.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and at the fund level for all other funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate requested by the School District prior to fiscal year end.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
Cash Basis	\$ 430,855
Encumbrances	(153,599)
Excess(deficit) of Funds Combined with General Fund for Reporting Purposes	<u>(59,451)</u>
Budget Basis	<u>\$ 217,805</u>

Capital Assets

Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District's governing board.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – These monies are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$638,250 and the bank balance was \$728,829. Federal depository insurance covered \$475,677 of the bank balance at year end with the remaining \$253,152 being secured by collateral pools described above.

Investments

The School District's investments at June 30, 2016 were as follows:

	Carrying Value	% of Portfolio	Investment Maturities		
			> 1 year	1 to 3 yrs	3 to 5 yrs
STAR Ohio	\$ 3,730,006	29.6%	\$ 3,730,006	\$ -	\$ -
Mutual Funds	541,766	4.3%	541,766	-	-
Money Market Funds	253,562	2.0%	253,562	-	-
Negotiable CDs	5,777,000	45.8%	1,195,000	3,392,000	1,190,000
Federal Agency Bonds	2,300,000	18.3%	-	300,000	2,000,000
Total	<u>\$ 12,602,334</u>	<u>100.0%</u>	<u>\$ 5,720,334</u>	<u>\$ 3,692,000</u>	<u>\$ 3,190,000</u>

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio. The percentage of each investment to the School District's total portfolio is presented in the table above.

Custodial Credit Risk – The negotiable certificates of deposit are insured by the FDIC. The Federal Agency bonds (FHLB and FNMA) and mutual funds are rated AA+ by Moody's and Standard & Poor's. STAR Ohio is rated by AAAM by Standard & Poor's. The School District's has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2016 were levied after April 1, 2015 on assessed values as of January 1, 2015, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. The tax rate per \$1,000 of assessed valuation was \$66.80 and the assessed values upon which the fiscal year 2016 receipts were based are as follows:

	<u>2016 First Half Collections</u>	<u>2015 Second Half Collections</u>
Agricultural, residential, and other real property	\$ 169,866,220	\$ 169,646,680
Public utility personal property	<u>9,563,140</u>	<u>9,476,670</u>
Total	<u>\$ 179,429,360</u>	<u>\$ 179,123,350</u>

NOTE 5 - INCOME TAXES

The School District levies a 1.25 percent, dual purpose, earned income tax levy. Of the 1.25 percent, 1.15 percent is used to provide the local portion of a school facilities project that replaced all existing school facilities within the School District with a new kindergarten through grade twelve building on one site; including debt retirement and the required maintenance fund. The remaining 0.10 percent of the total levy amount is used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds. Income tax receipts are posted to the general, capital improvement and school facilities maintenance funds.

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year.

During fiscal year 2016, the School District contracted with Argonaut Insurance Company for insurance coverage, as follows:

NOTE 6 - RISK MANAGEMENT (continued)

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Excess Liability	\$2 million per/\$2 million annual aggregate	n/a
General, Educators Legal, and Employment Practices Liability	\$1 million per/\$3 million annual aggregate	\$2,500
Automobile Liability	\$1 million combined limit	\$500
Commercial Property	\$43.9 million blanket limit	\$2,500

For fiscal year 2016, the School District participated in the CompManagement Group Retrospective Rating Plan. This plan is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rate and lower associated claims costs. It is similar to group rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods (12, 24 and 36 months after the end of the policy year) performed by the Ohio Bureau of Workers' Compensation. Group assessments are limited to a premium cap, currently set at \$4 million for the entire group. For fiscal year 2016, the School District has not been assessed any additional premium through its participation in the Plan.

The School District provides medical (United Health Care), dental (Delta Dental) and life insurance (Sun Life) benefits to its employees through participation in the Southwestern Ohio Educational Council's Medical Benefit Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover administration costs of the program.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire employer contribution was allocated to pension, death benefits, and Medicare B. Allocations to the Health Care Fund for the year were limited to the additional surcharge collected for employees earning less than an actuarially determined minimum compensation amount; \$23,000 for fiscal year 2016.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (continued)

The School District's contractually required contribution to SERS was \$221,095 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and was increased one percent again on July 1, 2016, to reach the statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$887,496 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,959,764	\$ 16,241,928	\$ 19,201,692
Proportion of the Net Pension Liability	0.0518702%	0.05876862%	

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted its annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 4,104,129	\$ 2,959,764	\$ 1,996,114

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 22,561,263	\$ 16,241,928	\$ 10,897,988

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2016, two (2) members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)

School Employee Retirement System (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2016, none of the employer contributions were allocated to health care. Contributions to the Health Care Plan were limited to the surcharge assessed for employees earning less than an actuarially determined amount; for 2016, this amount was \$26,016 for the School District.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$26,016, \$36,078, and \$24,656 respectively; the 2016 contributions (surcharge) will be withheld from subsequent year foundation settlements, while the remaining years were completely paid.

State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocated any of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$59,830 respectively; which were equal to the required contributions for each year.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

The activity of the School District's long-term debt obligations during fiscal year 2016 was as follows:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016	Due within One Year
Governmental Activities:					
2009 SI Revenue Bonds:					
Current Interest Serial 3.0% - 5.0%	\$ 8,885,000	\$ -	\$ -	\$ 8,885,000	\$ -
Current Interest Term 5.0%	2,015,000	-	-	2,015,000	-
Capital Appreciation 4.1% - 5.0%	448,526	-	149,508	299,018	121,183
2010 SI Energy Conservation Bonds:					
Current Interest Term 1.2% - 4.0%	665,000	-	65,000	600,000	-
Capital Appreciation	12,776	-	-	12,776	12,776
2009 SI General Obligation Bonds:					
Capital Appreciation 3.8% - 4.0%	103,796	-	57,447	46,349	46,349
2015 GO Refunding Bonds:					
Current Interest Serial 1.0% - 4.0%	3,450,000	-	85,000	3,365,000	45,000
Current Interest Term 4.0%	680,000	-	-	680,000	-
Capital Appreciation 1.3%	41,902	-	-	41,902	-
2010 Certificates of Participation					
School Improvement 1.8% - 6.375%	1,665,000	-	45,000	1,620,000	45,000
Capital Leases Payable	16,183	77,940	29,173	64,950	15,588
Total General Long-Term Obligations	\$ 17,983,183	\$ 77,940	\$ 431,128	\$ 17,629,995	\$ 285,896

2009 School Improvement Revenue Bonds:

On May 20, 2009 the School District issued \$13,702,982 in revenue bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$11,055,000, \$2,015,000, and \$632,982, respectively. The bonds were issued for a twenty-two year period with final maturity on December 1, 2032. The bonds are being retired from the Bond Retirement debt service fund.

The serial and term bonds maturing after December 1, 2020, are subject to redemption at the option of the School District, either in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the School District on or after December 1, 2019, which is 100 percent of the face value of the current interest bonds.

The capital appreciation bonds mature in fiscal years 2016 to 2019 and have a total maturity amount of \$2,925,000. The maturity amount of the capital appreciation bonds maturing during fiscal year 2016 was \$585,000.

The School District has pledged a portion of the proceeds from the one and one-quarter percent (1.25%) income tax to repay the bonds. The bonds are payable solely from the 1.25 percent income tax levied by the School District on the taxable income of individuals as defined in Section 5748.01(E)(1)(b) of the Ohio Revised Code which went into effect on January 1, 2009 and is for a continuing period of time. From this income tax, 0.1 percent is collected for current expenses and 1.15 percent is dedicated solely to provide funds for permanent improvements; from which bond service charges will be made. Income tax dedicated to permanent improvements is projected to produce approximately 170 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$18,180,161, payable through December 1, 2032. For the current year, the School District paid \$1,086,025 in debt service; \$149,508 in principal and \$936,517 in interest (including accreted interest on capital appreciation bonds). Income tax receipts related to permanent improvements that were received in fiscal year 2016 totaled \$2,063,996.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

2009 School Improvement General Obligation Bonds:

On November 3, 2009 the School District issued \$4,999,997 in general obligation bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$1,535,000, \$3,290,000, and \$174,997, respectively. The bonds were issued for a twenty-one year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The capital appreciation bonds mature in fiscal years 2015 to 2017 and have a total maturity amount of \$630,000. The maturity amount of the capital appreciation bonds maturing during fiscal year 2016 was \$210,000.

During fiscal year 2015, the School District advanced refunded \$4,175,000 of outstanding 2009 School Improvement General Obligations Bonds (\$885,000 of serial and \$3,290,000 of term bonds) by issuing \$4,171,902 of 2015 School Improvement General Obligation Refunding Bonds. The issuance proceeds, along with the associated premiums, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, was removed from the School District's long-term debt obligations presented in the above table. The \$4,175,000 in 2009 School Improvement General Obligation Bonds which were advanced refunded in fiscal year 2015 will remain outstanding until December 1, 2016.

2010 School Improvement Energy Conservation Bonds:

On January 13, 2010 the School District issued \$997,776 in energy conservation bonds for construction of school facilities. The bonds include term and capital appreciation bonds, in the original amount of \$985,000 and \$12,776, respectively. The bonds were issued for a fourteen year period with final maturity on December 1, 2024. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2019 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2017 at the redemption price of 100 percent.

The capital appreciation bonds will mature in fiscal year 2017 and have a total maturity amount of \$65,000.

2015 General Obligation School Improvement Refunding Bonds:

On March 11, 2015 the School District issued \$4,171,902 in general obligation school improvement refunding bonds to provide for the advance refunding of a portion of the 2009 general obligation school improvement bonds (see above). The refunding bonds include serial, term and capital appreciation bonds, in the original amount of \$3,450,000, \$680,000 and \$41,902, respectively. The bonds were issued for a seventeen year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The current interest term bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. The remaining \$345,000 of the current interest term bonds are due for payment on December 31, 2031 at the stated maturity.

The capital appreciation bonds will mature in fiscal year 2017 and have a total maturity amount of \$245,000.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding bonds at June 30, 2016 are shown in the table below.

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$ 225,308	\$ 1,320,264	\$ 1,545,572
2018	205,124	1,329,185	1,534,309
2019	394,613	1,140,085	1,534,698
2020	905,000	616,539	1,521,539
2021	935,000	585,941	1,520,941
2022-2026	5,090,000	2,384,559	7,474,559
2027-2031	5,830,000	1,261,328	7,091,328
2032-2033	2,360,000	108,776	2,468,776
Total	<u>\$ 15,945,045</u>	<u>\$ 8,746,677</u>	<u>\$ 24,691,722</u>

2010 School Improvement Certificates of Participation:

On March 3, 2010 the School District issued \$1,885,000 in taxable certificates of participation for construction of school facilities. This issue contained a portion of the taxable certificates under the Build America Bond program. These bonds were issued for a twenty-seven year period with final maturity on December 1, 2037. The bonds are being retired from the Bond Retirement debt service fund.

The American Recovery and Reinvestment Act of 2009 allowed entities to issue taxable obligations, referred to as "Build America Bonds", to finance capital expenditures for which they could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35 percent of the corresponding interest payable on such taxable obligations. The School District designated \$35,000 of the base rent underlying the certificates of participation as taxable obligations (Taxable Certificates) and the remaining \$1,850,000 as taxable obligations under the Build America Bond program (Series 2010 BABs).

Each Certificate represents a proportionate interest in the right to receive base rent payments by the School District under the lease agreement. By the assignment, the Lessor has assigned its right to receive base rent payments to the Trustee for the benefit of the owners of the Certificates. Renewals of the lease and the obligations of the School District to make base rent payments after June 30, 2010 are subject to and dependent upon lawful appropriations being made for the that purpose and certification of the sufficiency of those appropriations. The Certificates, the lease and the obligation to make base rent payments do not represent or constitute a debt of, or a pledge of the faith and credit of, the School District. Neither the general credit nor the taxing power of the School District is pledged to payment of the principal of or premium, if any, or interest on the Certificates.

The Series 2010 BABs maturing on December 1, 2020 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2020 at par, which is 100 percent of the face value of the Series 2010 BABs.

In addition, the Series 2010 BABs are subject to extraordinary optional redemption by the School District prior to maturity, in whole at any time or in part on any interest payment date, at a redemption price of 100 percent (expressed as a percentage of the principal amount), plus interest accrued to the date fixed for redemption in the event that the Build America Payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010 BABs.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the District's outstanding certificates of participation at June 30, 2016 are shown in the table below.

Fiscal Year Ended June 30,	Taxable Certificates			Effective Debt Service	
	Principal	Interest	Total	Federal Subsidy	Adjusted Total
2017	\$ 45,000	\$ 93,877	\$ 138,877	\$ (32,857)	\$ 106,020
2018	45,000	91,898	136,898	(32,164)	104,734
2019	50,000	89,617	139,617	(31,366)	108,251
2020	50,000	87,218	137,218	(30,527)	106,691
2021	50,000	84,817	134,817	(29,686)	105,131
2022-2026	285,000	381,120	666,120	(133,391)	532,729
2027-2031	345,000	292,313	637,313	(102,309)	535,004
2032-2036	415,000	175,153	590,153	(61,304)	528,849
2037-2038	335,000	25,978	360,978	(9,093)	351,885
Total	<u>\$ 1,620,000</u>	<u>\$ 1,321,991</u>	<u>\$ 2,941,991</u>	<u>\$ (462,697)</u>	<u>\$ 2,479,294</u>

Capital Leases - Lessee Disclosure

In a prior fiscal year, the School District entered into a lease agreement to finance the purchase of several copiers used throughout the District. During the current fiscal year, the lease for the copiers acquired in the prior fiscal year fully matured and the School District entered into a new lease agreement to acquire new copiers to be used throughout the District. Both of these lease agreements meet the criteria of capital leases where the lease transfers the benefits and risk of ownership to the lessee. The value of the equipment acquired through the 2015 capital lease totaled \$77,940. Principal payments made during the current fiscal year totaled \$29,173 (\$16,183 on capital lease from prior year and \$12,990 on capital lease executed during the current year). The 2015 capital lease does not contain a provision for interest.

Principal and interest payments for these capital leases are made from the general fund and district managed student activity special revenue fund and reported within the appropriate function which utilizes the assets.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

Fiscal Year Ended June 30,	
2017	\$ 15,588
2018	15,588
2019	15,588
2020	15,588
2021	<u>2,598</u>
Total	64,950
Less: Amount Representing Interest	<u>-</u>
Present Value of Net Minimum Lease Payments	<u>\$ 64,950</u>

NOTE 10 – RELATED ORGANIZATION

The Milton-Union Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Milton-Union Exempted Village School District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Milton-Union Public Library, Marjorie Coate, Clerk/Treasurer, at 560 South Main Street, West Milton, Ohio 45383.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 130 school districts and boards of developmental disabilities 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made primarily from the School District's general fund. During fiscal year 2016, the School District paid \$1,775,570 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Twenty-one (21) representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public service representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the School District's general fund and amounted to \$1,554 in fiscal year 2016. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, Ohio 45402.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center (MVCTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. Payments of \$4,466 were made to MVCTC by the School District in fiscal year 2016. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Metropolitan Educational Technology Association

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographic area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META \$17,789 for services provided during the fiscal year. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

NOTE 12 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

Litigation

There were currently no matters in litigation with the School District as defendant.

Full-Time Equivalency Review

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2015 reviews did not result in significant changes to the School District's funding amount. The fiscal year 2016 reviews have not been completed as of the date of these financial statements; however, management does not anticipate significant adjustments to its state funding allocation to result when reviews are completed.

NOTE 13 – INTERFUND ACTIVITY

Transfers

The following is a summary of the School District’s transfers in and out for all funds for fiscal year 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 246,000
Bond Retirement Fund	2,997,456	-
Permanent Improvement Fund	550,409	1,585,563
Other Governmental Funds	<u>246,000</u>	<u>1,962,302</u>
Total All Funds	<u>\$ 3,793,865</u>	<u>\$ 3,793,865</u>

Transfers out of the permanent improvement fund consist of income tax receipts required to be paid into this fund which are then allocated to the debt service fund, and for repayment of outstanding debt. Transfers out of the other governmental funds represent the allocation of unspent school facilities construction funding to the bond retirement and permanent improvement funds based on the project closeout process agreed to by the School District and the Ohio Facilities Construction Commission. The remaining \$1.8 million in unspent proceeds was returned to the State of Ohio during the fiscal year.

NOTE 14 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 160,586
Bond Retirement Fund	1,000
Permanent Improvement Fund	243,375
Non-major Governmental Funds	<u>49,734</u>
	<u>\$ 454,695</u>

NOTE 15 – CAPITAL IMPROVEMENT SET-ASIDE

The School District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

NOTE 15 – CAPITAL IMPROVEMENT SET-ASIDE (continued)

	Capital Improvements
Set-aside reserve balance as of June 30, 2015	\$ -
Current year set-aside requirement	257,294
Contributions in excess of the current fiscal year set-aside requirements	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(2,470,833)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (2,213,539)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

The School District had qualifying offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the School District implemented GASB Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 requires certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. Due to accounting basis used to prepare these financial statements, the implementation of this Standard had no impact on the School District's financial statements.

GASB Statement No. 79 establishes specific criteria to determine if a qualifying external investment pool may elect to use an amortized cost-exception to fair value measurement. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2016.

NOTE 17 – SUBSEQUENT EVENT

In August 2016, the Board of Education approved issuing refunding bonds in an amount not to exceed \$11.2 million which would provide for the refunding of a portion of the 2009 School Improvement Revenue Bonds. It is anticipated the refunding bonds will be issued in October 2016.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	54,141	-
National School Lunch Program	10.555	245,793	42,485
Total Child Nutrition Cluster		<u>299,934</u>	<u>42,485</u>
Total U.S. Department of Agriculture		<u>299,934</u>	<u>42,485</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	209,361	-
Special Education Cluster:			
Special Education_Grants to States	84.027	284,206	-
<i>Passed Through Miami County Educational Service Center</i>			
Special Education_Preschool Grants	84.173	3,498	-
Total Special Education Cluster		<u>287,704</u>	-
<i>Passed Through Ohio Department of Education</i>			
Improving Teacher Quality State Grants	84.367	54,152	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>1,120</u>	-
Total U.S. Department of Education		<u>552,337</u>	-
Total Expenditures of Federal Awards		<u>852,271</u>	<u>42,485</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Milton-Union Exempted Village School District (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383-9602

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District, Miami County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated July 13, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 13, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383-9602

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Milton-Union Exempted Village School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Milton-Union Exempted Village School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Milton-Union Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 13, 2017

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles. The Milton-Union Exempted Village School District (the School District) prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements in accordance with generally accepted accounting principles to provide users with more complete and meaningful financial statements.

Officials' Response: The School District is aware of the financial reporting requirements, and the School District's management believes that filing GAAP would cost approximately \$10,000 more per year with no appreciable benefit to the School District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03(B) – Failed to file financial reports which were prepared using generally accepted accounting principles.	Not corrected	Milton-Union Exempted Village School District chooses to file OCBOA statements rather than filing GAAP statements. Comment repeated as Finding 2016-001.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	No corrective action needed. The School District is aware of the financial reporting requirements, and the School District's management believes that filling GAAP would cost approximately \$10,000 more per year with no appreciable benefit to the School District.	N/A	Kay Altenburger, Treasurer



Dave Yost • Auditor of State

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2017**